

Success Through Operational Excellence and Marketing Strategies : A Case Study of Nestle India

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Nestlé was founded in 1866 by Henri Nestlé, George Page, Charles Page and the company has its headquarters in Vevey, Switzerland and today it is the world's biggest food and Beverage Company. Sales at the end of 2012 were CHF 92.18 bn, with a net profit of CHF 10.61 bn. They employ around 328,000 people and have factories or operations in 86 countries across the globe. (about us)

Nestlé has a primary listing on the 6 Swiss Exchange and is a constituent of the Swiss Market Index. In the year 2011, Nestlé was listed No. 1 company in the Fortune Global 500 as the world's most profitable corporation. With a market capitalisation of \$233 billion, Nestlé was ranked No. 9 in the FT Global 500 2013. (global 500 2013)

Nestlé's first product was an infant cereal; "Farine Lactee Nestlé". In 1905 Nestlé acquired the Anglo Swiss Condensed Milk Company. After that it began trading as The Nestlé Anglo Swiss Condensed Milk Company. The company grew significantly and rapidly during the First World War and again followed the same trend in the Second World War. The company expanded its offerings beyond its early condensed milk and infant formula products. The company has made a number of corporate acquisitions in all these years.

The company diversified and became one of the main shareholders of, the world's largest cosmetics company, L'Oréal. On 4 September 2013, Google, the software and search-engine giant announced that they would be naming the next Android release, version 4.4, after the ever-popular chocolate wafer "KitKat" with Nestlé's legal permission. Nestlé, confirming the team-up, announced the distribution of around 50 million KitKats worldwide, featuring the Android mascot in the covers. (Nestle)

NESTLÉ INDIA

Nestlé is among one of the oldest food company operating in India, which has a presence in the country from over a century. Nestlé India's operations were only limited to importing and trading of condensed milk and infant food for a very long time. The Company has expanded its product range with new products in instant coffee, variety of sauces, instant noodles, pickles, chocolates and confectionery, dairy products and the mineral water.

Nestlé was incorporated as a limited company in the year 1959. In the year 1978, the Company had issued shares

to the public in India to reduce its foreign holdings to 40%. Its name was changed from Foods Specialties Ltd. to the current name Nestlé in the year 1981. The parent held 51% stake in the company at the end of the year 2000. It has approval to hike stake in the company and has been gradually acquiring shares from the open market. Parent stake in the company in the end of the year 2013 stood at 62.76%. The parent plans to continue hiking stake through open market purchases.

Nestlé India Ltd, 62.76% subsidiary of Nestlé, is the leading branded food player in the country. It has a very large presence in the foods sector with majority market shares in infant foods, milk products, coffee and instant noodles. It has also strengthened and marked its presence in chocolates and confectioneries and other semi processed food products during the last few years. Its Market Capitalisation is INR 402Bn. (investors)

In 1990, the company entered into the chocolate business by introducing Nestlé Premium Chocolate. Its main products are Maggie, which is the leading Noodle player in India and Nescafe in instant coffee. (news and features)

Nestlé India Limited has proved itself to be the most desired brand in the food and beverage industry in India. The company has succeeded in meeting the expectations of the Indian government in bringing a marked change in the milk industry through its suggestion on latest dairy farming techniques and upkeep of cows to improve the milk yield. Nestlé India Limited gave directions to the farmers in incorporating the advanced technological methods with regard to crop maintenance and irrigation. The company proposed the set up of centres that not only catered to the storing and selling of milk, but also maintained contacts with the farmers. (India company)

PLANTS OF NESTLÉ IN INDIA

Nestlé started its manufacturing activity with Milkmaid in 1962 at its Moga factory in Punjab. Manufacturing of Nescafe started in the year 1964 at the same Moga factory. The company then started another factory at Cherambadi (Tamil Nadu), for the purpose of manufacturing of infant foods, coffee etc. For almost two decades there were no new additions of manufacturing facilities due to restrictive policy environment prevailing in the country. The company set up its Nanjangad (Karnataka) factory in 1989 and the Samlakha (Haryana)

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factory in 1992. The Ponda (Goa) factory started operations in 1995. The Company set up its sixth manufacturing unit in 1997 at Bicholim in Goa. The Seventh Factory was set up in Patnanagar in 2006. The last factory setup by Nestlé in India was in Tahlial, Himachal Pradesh, in 2012.

4P's OF NESTLÉ

PRODUCT

- i) It is the world's largest food and nutrition company, it has various brands under it and has numerous products which were discussed earlier.
- ii) Its products are in variety of range including almost all daily use products as well as products which are used occasionally. The products includes instant coffee, cereals, bottled water, and pharmaceutical products like the lens care solutions, chocolates, infant food, beverages, candies, ice creams, refrigerated foods, milk cream, yogurt, milk cream, pet food and the largest selling brand milkman. All these categories have different sizes and flavours and are subdivided to the diverse choices of customers.
- iii) Products that are launched in the market are first screened through high profile research and development sector including food processing, micro analytical research and proper delivery of functionalities in the food products thus ensuring the healthy goods for consumers.
- iv) For edible products, hygiene is the necessity. So, on this aspect Nestlé has a full concern and focus.
- v) Nestlé provides the products including all legal supports falling in line to the customer's needs.
- vi) Quality of nutrition is preferably determined and is written on the packaging of the product to allow consumers to check their preferences along with the expiry dates of the product.
- vii) Complaints regarding the products are timely responded and suggestions are always invited and welcomed.

PRICE

- i) Flexible prices is the main factor which results in the success of Nestlé in global markets for example the products like Milkpacks which are among the leading brands, is being sold at the same price as that of other low quality products while still maintaining the quality.
- ii) There is a wide range of pricing strategy in their marketing strategies, and by taking this step they can maintain their product prices competitive enough.
- iii) The prices are very affordable for all kind of customers as the company has a huge product range for all the income groups like in case of beverages there is a affordable economic pack and for the premium class there is an expensive tin packs.
- iv) Bulk purchase discounts are also given in the wholesale markets as well as at the retail stores which are there in the market.

- v) The company also do the seasonal variations in the prices, like that in the case of chocolates, either by reducing the sale prices or upsizing the products and selling the product at the same price.

PLACE

- i) Nestlé is running its business globally, it has its operations running in more than 80 countries. The sales are also done globally and it is done through a wide distributorship network.
- ii) The products of the company are not directly sold into the market, rather there is a full procedure which is to be followed including all the essentials from Manufacturer, Distributor, Wholesaler, Retailer and the customer
- iii) Nestlé products are available at the huge number of outlets, as the company is always seeking to expand its outlets.

PROMOTION

- i) Very well planned promotion strategies are followed by the company and the company spends a huge amount of money on promoting their products through various tools.
- ii) Advertising on electronic media like that of television and the print media along with the sign boards having tempting figures of the brand always have proved good for the brand.
- iii) The company also starts the limited period offers to boost the popularity of brand, particularly when the company launches the new product in the market.

SWOT Analysis

STRENGTHS

Unmatched product and brand portfolio: The Nestlé offers one of the widest portfolios of food, milk, chocolates and brewery products. It operates under four broad heads which again has several products. Thus Nestlé has unparalleled portfolio which is among the biggest strength of the company. No other company than Nestlé provide such a wide range of products to its customers.

Research & Development: Nestlé has invested more than \$2 billion in Research and Development in the year 2013. The company is introducing new and improved products every year, which helps in strengthening firm's competitive advantage. Nestlé has the largest Research facility in the food industry in the world. Nestlé recently started its R&D in Hisar, Haryana.

Geographic presence and Distribution channels: Nestlé runs in more than 80 countries and has a huge distribution channel all over the world, which supports its operations globally. The Nestlé has continuously made endeavours to improve its distribution channel to increase its customer reach. The Nestlé has its presence in whole of the country.

Mergers and Acquisitions: Over the years Nestlé has been forming successful partnerships and has acquired other companies in order to grow and maintain its leadership position in the market. Nestlé has huge financial base which supports its effort to acquire the other firms. Nestlé has acquired and merged with number of firms since its incorporation.

Market understanding: Nestlé is in the market for around 100 years and it has developed a market understanding and knows the in and out of the market. The company has a understanding about the demand of the market.

Brand reputation: Nestlé is known almost everywhere and it is a reputed brand for its various products that are used by millions every day in both the urban areas as well as the rural areas.

WEAKNESS

Cascading indirect taxes: The Indirect taxes imposed on the products like excise duty, sales tax are leading to higher prices of the products which make it unaffordable for the lower income groups and more complex distribution system.

Weak implementation of CSR: The company is involved in many activities that focus to make the company more eco-friendly and which focuses on improving the working conditions of its employees and suppliers. Nestlé has been receiving a lot criticism over the effectiveness of its activities.

OPPORTUNITIES

Increasing demand for healthier food products: The trend of consuming only healthy food products is a major shift in consumer preferences and tastes and opens up a very large market for companies. Currently, Nestlé tries to introduce more healthy food products in response to the trend.

Acquiring start-ups specializing in producing well-being products: Many new start-ups have started and they are introducing new products for well-being of individual and they are revolutionizing the ways those products are made. Start-ups are comparatively very cheap and can be acquired easily. Nestlé is focusing on providing more well-being products and this is a great opportunity to expand its portfolio.

Establishing new joint ventures: Nestlé is already involved in many of the successful partnerships with the companies all around the world like The Coca-Cola Company and Colgate-Palmolive.

THREATS

Trend towards healthy eating: Nestlé is a major supplier of chocolate that have high level of calories and owing to the changing customer habits, the company will experience decline in demand and hurt the company's profits.

Growth of private labels: A large number of other retailers are introducing their own labelled products in the market

that cost less and can easily compete with Nestlé's product portfolio like CCD.

Rising raw food prices: With the growth of world economy and rising population, the demand for raw food will rise. Thus the result of this will be higher material costs and squeezed margins of profit for Nestlé.

Increasing competition: The Company is facing huge competition nowadays from the number of international as well as local firms like that of HUL, Cadbury etc. The competitor of the firm has now launched various products which are giving a tough competition to the company.

STRATEGY AT NESTLE

The strategy of the company is that the products will include features that contain the combination of both hygiene and health keeping in minds the individuals requirements and needs in terms of taste and preference. However the marketing is done considering the concept of mass needs. The products are tailored to individual needs but promotions attract all of them collectively. Furthermore the company is following pull strategy and approaches its end users with the help of various promotional activities as per the product.

ISSUES FACED BY THE COMPANY AND ACTION TAKEN

Issue: In the year 2010, the major problem faced by the company is less acceptance of its product leading to low gross sales. For the survival, companies need to increase their customer base by adding new customers.

Actions Taken by the Company: The company used various promotional tools to market its products in this year. New KitKat ad was launched. KitKat-Have a break, have a KitKat was an emotional add which focuses on the benefit of the product.

Maggie, the market leader in instant noodles market completed its 25 years and the company invited the consumers with their Maggie Moments. The emotional bond of the consumer with the brand was shown in this add, which in fact helped the company in growing its consumer base and develop a long relationship with the consumers.

In the same year the company launched the Nescafe add-Switch the best in you. It shows switch on the purpose and switch on the best in you. This was again a connecting ad which appealed to the people. The company also majorly focused to invest in brand and distribution capabilities to provide consumers a wide range of consumers a wide product range from the low income group consumers to the premium offerings. The major motive from this step was to introduce more products for the consumers from all the income groups. The company has invested Rs. 450 millions in the year 2010 for serving this purpose alone. The company also plans to double the capacity of its infant foods facility and will invest Rs360 crore on setting up a new noodles facility.

Results: The company succeeded in increasing the customer base by doing this and the investment made in increasing the capacity started yielding the results. Nestlé India has over 60% share in baby foods market with Cerelac, over 50% share in the instant noodles market with Maggi, and 17% share in confectionery and chocolate market with brands like Milkybar, KitKat, Polo, BarOne.

Issue: Prior to 2011 the company had a very complex supply chain. Distribution network needed to be increased to achieve its target of increasing the customer base. Company was witnessing a slow growth rate during this time. The inflation also began to rise during the year.

Actions Taken by the Company: The company promoted its products very aggressively. Deepika Padukone was made a brand ambassador for Nescafe and this was the first association of Nestlé with any celebrity in India. The firm started investing more on advertisement and promotion of its products.

The firm also adopted a strategy of pushing its product in the market. For every 5 boxes of Kitkat, much demanded chocolate of Nestlé it was necessary for the distributors to buy 1 box of milky-bar. This increased the sales of milky-bar and thus contributed to increase in revenue.

The company also added many new outlets in this year to maximise its reach and developed a distribution system that can allow the fastest delivery of the products from the factory to the consumers.

The project on sales automation 'Nestlé Excellence Programme' was completed in this year which created a robust distribution system and increased transparency of the records of sale. This helped in the management of sales.

Results: The company increased transparency in its sales system both directly and indirectly to the consumers. The sale in terms of quantity increased marginally in case of Beverages and Chocolates and Confectionary. The company decided to launch new products to provide consumers with more choices as the company observed that the consumer wanted to experiment with new products now. However, the Maggie was able to retain its leading position. But products in the other categories were struggling to maintain the same pace.

Issue: The company faced increase in competition from international companies as well as the local companies like HUL. The prices of raw material were also increasing due to high food inflation prevailing in the country. The company needed to catch up to match the consumer needs.

Actions Taken by the Company: Nestlé invested Rs. 1200 crore in Ponda(Goa) plant of Nestlé which manufactures the companies most famous chocolate 'Munch' and 'Kitkat'. The company enjoys a share of 23% in the Indian chocolate market. Nestlé also introduced new products to increase its customer base in India. 'New Maggie healthy Soups' were launched which were made from new technology and was tastier than the previous versions of the soup.

'Baby & Me' was launched by the Nestlé for pregnant woman and lactating mothers. It provides them with the balanced diet and nutrition's. 'Masala-ae-Maggie' was also launched by the company and it is an affordable seasonal mix which can be used in various cuisines made in India. 'Resource' was launched by Nestlé for the management of malnutrition and other problems associated with increased nutritional needs.

'Munch Rollz' was launched in this year to increase the sale of munch. It had a all new shape and a crunchy cover and a burst of yummy caramel. 'Kitkat Dark' was launched when the company realised that the customers are ready to experiment with dark chocolate taste and experience something new then the first of its kind chocolate wafer Kitkat Dark was launched.

'Nescafe' the world's leading instant coffee brand created a range of delicious foaming mixes for rich coffee taste and delicious froth-Cappuccino, Vanilla Latte and Choco Mocha. The company launched the various promotion events for its products but the advertisement expenditure was less than the previous year, like Kitkat Dancing babies advertisement gained huge popularity and facebook promotion and pages also managed to garner millions of likes. The company adopted the Margin Improvement policy. Thus the company increased its margin levels so as to maintain its revenue and cope up with the high inflation.

Results: Due to introduction of new soups and masala the Maggie remained the number one in Instant noodles market. But, with increase in the portfolio and product line the company faced supply issue of raw material.

CONCLUSION:

One of the largest sector in the country nowadays is the Food sector. The production, consumption, exports and growth of this sector is among the highest in the country. This industry currently is worth INR 2,47,680 crore and is expected to touch a whopping INR 4, 08,040 crore by 2018. (Food industry)

The researcher notices that due to increasing number of consumers both in urban and rural areas many companies are willing to come to the India. And the companies which are already present are making efforts to grow and increase their productions and consumer base. Therefore, it is concluded that companies need to invest in R&D such that variety of products can be designed, and tested to ensure the quality. Market trends/needs shall be anticipated and capacity requirements be worked on for matching them. The companies in the food industry require having a nationwide reach and very good distribution system so that the products are available to the consumers very easily and quality of the product is also maintained.

Further, it is concluded that television advertisements which have an emotional touch and even show the benefits of the products are helpful in getting to core of the people which helps in sales increase and develop the brand name. A very large amount is spent by the companies on such kind of advertisements and also appoints celebrities as their brand ambassadors. The social media is now used more and more by the people all over the world and promoting the products on them helps the companies to get the maximum reach and give all the relevant detail regarding the products and even get the product feedback which further helps the company in improvement of their products.

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